

109TH CONGRESS  
1ST SESSION

# S. 2103

To impose a temporary windfall profits tax on crude oil and provide a rebate to each household from the revenues resulting from such tax.

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IN THE SENATE OF THE UNITED STATES

DECEMBER 14, 2005

Mr. REID (for Mr. LIEBERMAN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To impose a temporary windfall profits tax on crude oil and provide a rebate to each household from the revenues resulting from such tax.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TEMPORARY WINDFALL PROFITS TAX.**

4 (a) IN GENERAL.—Subtitle E of the Internal Rev-  
5 enue Code of 1986 (relating to alcohol, tobacco, and cer-  
6 tain other excise taxes) is amended by adding at the end  
7 thereof the following new chapter:

8 **“CHAPTER 56—TEMPORARY WINDFALL**  
9 **PROFITS ON CRUDE OIL**

“Sec. 5896. Imposition of tax.

“Sec. 5897. Windfall profit; removal price; adjusted base price; qualified investment.

“Sec. 5898. Special rules and definitions.

1 **“SEC. 5896. IMPOSITION OF TAX.**

2 “(a) IN GENERAL.—In addition to any other tax im-  
3 posed under this title, there is hereby imposed on any inte-  
4 grated oil company (as defined in section 291(b)(4)) an  
5 excise tax equal to 50 percent of the windfall profit from  
6 all barrels of taxable crude oil removed from the property  
7 during taxable years beginning in 2005.

8 “(b) FRACTIONAL PART OF BARREL.—In the case of  
9 a fraction of a barrel, the tax imposed by subsection (a)  
10 shall be the same fraction of the amount of such tax im-  
11 posed on the whole barrel.

12 “(c) TAX PAID BY PRODUCER.—The tax imposed by  
13 this section shall be paid by the producer of the taxable  
14 crude oil.

15 **“SEC. 5897. WINDFALL PROFIT; REMOVAL PRICE; AD-**  
16 **JUSTED BASE PRICE.**

17 “(a) GENERAL RULE.—For purposes of this chapter,  
18 the term ‘windfall profit’ means the excess of the removal  
19 price of the barrel of taxable crude oil over the adjusted  
20 base price of such barrel.

21 “(b) REMOVAL PRICE.—For purposes of this chap-  
22 ter—

23 “(1) IN GENERAL.—Except as otherwise pro-  
24 vided in this subsection, the term ‘removal price’

1 means the amount for which the barrel of taxable  
2 crude oil is sold.

3 “(2) SALES BETWEEN RELATED PERSONS.—In  
4 the case of a sale between related persons, the re-  
5 moval price shall not be less than the constructive  
6 sales price for purposes of determining gross income  
7 from the property under section 613.

8 “(3) OIL REMOVED FROM PROPERTY BEFORE  
9 SALE.—If crude oil is removed from the property be-  
10 fore it is sold, the removal price shall be the con-  
11 structive sales price for purposes of determining  
12 gross income from the property under section 613.

13 “(4) REFINING BEGUN ON PROPERTY.—If the  
14 manufacture or conversion of crude oil into refined  
15 products begins before such oil is removed from the  
16 property—

17 “(A) such oil shall be treated as removed  
18 on the day such manufacture or conversion be-  
19 gins, and

20 “(B) the removal price shall be the con-  
21 structive sales price for purposes of determining  
22 gross income from the property under section  
23 613.

24 “(5) PROPERTY.—The term ‘property’ has the  
25 meaning given such term by section 614.

1       “(c) ADJUSTED BASE PRICE DEFINED.—For pur-  
 2 poses of this chapter, the term ‘adjusted base price’ means  
 3 \$40 for each barrel of taxable crude oil.

4       **“SEC. 5898. SPECIAL RULES AND DEFINITIONS .**

5       “(a) WITHHOLDING AND DEPOSIT OF TAX.—The  
 6 Secretary shall provide such rules as are necessary for the  
 7 withholding and deposit of the tax imposed under section  
 8 5896 on any taxable crude oil.

9       “(b) RECORDS AND INFORMATION.—Each taxpayer  
 10 liable for tax under section 5896 shall keep such records,  
 11 make such returns, and furnish such information (to the  
 12 Secretary and to other persons having an interest in the  
 13 taxable crude oil) with respect to such oil as the Secretary  
 14 may by regulations prescribe.

15       “(c) RETURN OF WINDFALL PROFIT TAX.—The Sec-  
 16 retary shall provide for the filing and the time of such  
 17 filing of the return of the tax imposed under section 5896.

18       “(d) DEFINITIONS.—For purposes of this chapter—

19               “(1) PRODUCER.—The term ‘producer’ means  
 20 the holder of the economic interest with respect to  
 21 the crude oil.

22               “(2) CRUDE OIL.—

23                       “(A) IN GENERAL.—The term ‘crude oil’  
 24 includes crude oil condensates and natural gas-  
 25 oline.

1                   “(B) EXCLUSION OF NEWLY DISCOVERED  
 2                   OIL.—Such term shall not include any oil pro-  
 3                   duced from a well drilled after the date of the  
 4                   enactment of the chapter, except with respect to  
 5                   any oil produced from a well drilled after such  
 6                   date on any proven oil or gas property (within  
 7                   the meaning of section 613A(c)(9)(A)).

8                   “(3) BARREL.—The term ‘barrel’ means 42  
 9                   United States gallons.

10                  “(e) ADJUSTMENT OF REMOVAL PRICE.—In deter-  
 11                  mining the removal price of oil from a property in the case  
 12                  of any transaction, the Secretary may adjust the removal  
 13                  price to reflect clearly the fair market value of oil removed.

14                  “(f) REGULATIONS.—The Secretary shall prescribe  
 15                  such regulations as may be necessary or appropriate to  
 16                  carry out the purposes of this chapter.”.

17                  (b) CLERICAL AMENDMENT.—The table of chapters  
 18                  for subtitle E of the Internal Revenue Code of 1986 is  
 19                  amended by adding at the end the following new item:

                  “CHAPTER 56. Temporary Windfall Profit on Crude Oil.”.

20                  (c) DEDUCTIBILITY OF WINDFALL PROFIT TAX.—  
 21                  The first sentence of section 164(a) of the Internal Rev-  
 22                  enue Code of 1986 (relating to deduction for taxes) is  
 23                  amended by inserting after paragraph (5) the following  
 24                  new paragraph:

1           “(6) The windfall profit tax imposed by section  
2       5896.”.

3       (d) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to taxable years beginning in 2005.

5 **SEC. 2. HOUSEHOLD REBATE.**

6       (a) **IN GENERAL.**—Subchapter B of chapter 65 of the  
7 Internal Revenue Code of 1986 (relating to rules of special  
8 application in the case of abatements, credits, and re-  
9 funds) is amended by adding at the end the following new  
10 section:

11 **“SEC. 6430. HOUSEHOLD REBATE.**

12       “(a) **GENERAL RULE.**—Except as otherwise provided  
13 in this section, each individual shall be treated as having  
14 made a payment against the tax imposed by chapter 1 for  
15 the taxable year beginning in 2005 in an amount equal  
16 to \$450.

17       “(b) **REMITTANCE OF PAYMENT.**—The Secretary  
18 shall remit to each taxpayer the payment described in sub-  
19 section (a) not later than March 1, 2006.

20       “(c) **CERTAIN PERSONS NOT ELIGIBLE.**—This sec-  
21 tion shall not apply to—

22           “(1) any taxpayer who did not have any ad-  
23 justed gross income for the preceding taxable year or  
24 whose adjusted gross income for such preceding tax-  
25 able year exceeded \$40,000,

1           “(2) any individual with respect to whom a de-  
 2           duction under section 151 is allowable to another  
 3           taxpayer for the taxable year beginning in 2005,

4           “(3) any estate or trust, or

5           “(4) any nonresident alien individual.”.

6           (b) CONFORMING AMENDMENT.—Section 1324(b)(2)  
 7 of title 31, United States Code, is amended by inserting  
 8 before the period “, or from section 6430”.

9           (c) CLERICAL AMENDMENT.—The table of sections  
 10 for subchapter B of chapter 65 of the Internal Revenue  
 11 Code of 1986 is amended by adding at the end the fol-  
 12 lowing new item:

“Sec. 6430. Household rebate.”.

13          (d) EFFECTIVE DATE.—The amendments made by  
 14 this section shall take effect on the date of the enactment  
 15 of this Act.

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